BOOK REVIEWS AND NOTICES

Government Ownership of Railways. By SAMUEL O. DUNN. New York: D. Appleton & Co., 1913. 8vo, pp. vii+400. $1.50 net.

The recent swift change in public opinion on the question of government activities is hardly less than revolutionary. If the change rests on conviction, on a careful examination of the problems involved, there need perhaps be no alarm. But if it is due to an uninformed optimism, or the easy philosophy of imitation, or a sort of "weary fatalism," to use the expression of a recent brilliant essayist, which accepts "any present tendency as a fatal force which it is useless if not wrong to curb," then it is a matter of concern, and we may well agree with Mr. Dunn that the question of government versus private ownership ought now, before it becomes a partisan question, to be receiving serious attention.

Mr. Dunn's new book is a helpful essay in this direction. After a survey of existing relations between the railways and the state in the commercial nations, he shows in a chapter on the "Causes of Government Ownership" that the conditions, economic and political, which have led to public control elsewhere, such as lack of capital and initiative, military necessity and the like, do not exist here. If there are reasons for acquiring the roads in this country they differ from those which have led other countries to that policy. Are there such?

Combining in an admirable way the deductive and the inductive method, the author examines the arguments most persistently urged for government ownership. In the matter of capital cost he agrees that under present conditions the government would in the United States be able to supply capital at a saving of perhaps 120 millions a year as compared with dividend and interest payments by the companies. This estimate is based on a purchase price of 16 billions and $3\frac{1}{2}$ per cent bonds floated at par. But the saving would be reduced if the purchase price were greater than 16 billions, as it probably would be, and a slight advance in the interest rate might easily wipe out the saving. Nevertheless under present conditions, the lower cost of capital due to a high public credit resting on the taxing power is admitted as an argument of some weight for government ownership. It is pointed out, however,

that the cost of capital to private companies may be reduced if taxpayers are willing to take the risks of the business by guaranteeing a return on railroad investments.

In a chapter on the "Condition of Labor," full of shrewd observation and keen analysis, the conclusion is reached that on the whole there is reason for the working-man's belief that conditions of employment would be improved under public management. Wages would probably be higher and the amount of labor done would probably be less than under private control. If railway labor is not now getting as high relative wages as labor in other industries, the readjustment would be a social gain. But there is no reason for supposing that the advance in wages would stop with such readjustment, if indeed there be one to make. In some respects the condition of labor would be worse under government management, for capable men at least. Appointments and promotions are now as a rule made according to merit; under government control they would be made, if not for political reasons, then by some hard-and-fast rule, such as seniority or the passing of civil service examinations. The man of capacity would be the loser by such a policy, as would also the service. While agreeing to the general soundness of the author's argument, one may observe in this connection that differences in respect to labor conditions under the two systems of control are tending to become less marked. Unnecessary additions to the labor force may be made under private control as is shown by recent train-crew legislation; arbitration boards seem likely to award wage increases *pari passu* with the rising cost of living regardless of the effect on net earnings; the large salaries of the higher officials, the supposed *sine qua non* of successful railway management—a condition that democracies, it is often said, will not meet—may yet under private control have to be shrunk to something like democratic standards. For two public boards at least have recently, while making awards, looked askance at the salary list, and salaries may be expected to be taken into account in future inquiries into the rate advances.

Turning to relative efficiency under the two systems, Mr. Dunn finds for private management. Public management, it is admitted, would make possible many economies. The item of advertising, for example, now about $8,500,000 for American roads, could be largely saved and the item of $20,000,000 for soliciting could be eliminated entirely. Consolidation would make possible a reduction in terminal and office expenses in large cities, as also in the list of officials, though experience in democratic communities discloses little disposition to economize in this way.

On the other hand, it is notable how far the economies of consolidation have already been brought about by the development of our great systems and by extensive standardization. The savings, it is argued, would be slight compared with the probable waste from making unprofitable extensions and improvements, from heavy increases in the cost of labor, and from less efficient management.

Perhaps the most vital chapters in the book are those which deal with rate-making and the adjustment of rates. Fewer unfair discriminations are to be expected under state control; but there seems no justifiable hope that they would be lower; or that the passenger service would be made to pay its due proportion of the expenses; or that the rates would be adjusted so as to bring about the fullest all-around development of the country; for "state railways tend to put their domestic rates on a rigid distance basis, which interferes with the development of a large traffic, prevents the freest industrial and commercial competition, and builds up local monopolies or quasi-monopolies. But here again it is to be remarked that the distinction between private and public ownership tends to grow less striking. Public rate-making authorities seem more and more inclined to preserve geographical advantages by establishing distance tariffs and to circumscribe the power of the companies to develop long-distance traffic.

Even those who do not agree with the conclusions reached by Mr. Dunn will be impressed by the candor with which he approaches his study. No one appreciates more fully than he the difficulties of comparing railway statistics in countries having such varied conditions as those from which he draws his illustrations. He gives warning of these difficulties at every turn, and deals with both the theoretical and the statistical aspects of the very complex problem as a student rather than as an advocate.

There are many who might agree with each important step in the argument and yet disagree with the author in his final judgment against public ownership; for one important phase of the problem is not discussed. It may be true that present rates on private roads compare favorably with those on public roads; but what of the future? The decision in the Minnesota rate case has eliminated some of the extravagant claims of the railroads for a high valuation of their property; but the cost-of-reproduction theory still persists and if it is finally accepted by the courts there seems little likelihood that the fall in rates which might normally be expected on public roads with an increasing density of traffic will ever come. If the basis for charges is automatically to

increase whenever there is an increase in wages, of prices of materials, of lawyers' fees, or, above all, of the value of land along the right of way, on the theory that it would cost more to construct the road if it were to be rebuilt; if favorably situated roads, built at a low cost, are to continue indefinitely to wax fat as rent-takers, because of the necessity of allowing them to charge the same rates as their less favorably situated competitors, an increasing number of thoughtful persons will accept the view suggested by Commissioner Lane in the *Advances in Rates—Western Case of 1911*, "that it will be wise for the government to protect its people by taking to itself these properties at present value rather than wait the day, perhaps thirty or fifty years hence, when they will have multiplied in value ten- or twenty-fold."

George O. Virtue

University of Nebraska

Money-Changing; An Introduction to Foreign Exchange. By Hartley Withers. New York: E. P. Dutton & Co., 1913. 12mo, pp. viii+183. $1.75.

In this little volume on the foreign exchanges Mr. Withers has added another to his popular treatises on finance. The book is an outgrowth of a series of lectures recently delivered before the English Institute of Bankers. It is written in a style so very readable that the exchanges lose much of the "appalling awesomeness" that has always surrounded the subject. In general scope and aim the book is comparable to Escher's *Elements of Foreign Exchange* and Clare's *A B C of the Foreign Exchanges.* While it is a more usable volume than Clare's it is perhaps less adequate than Escher's book for the purposes of collegiate instruction. Though more entertaining than the *Elements of Foreign Exchange*, it is hardly as well adapted for scientific study. Margraff's *International Exchange*, while unfortunately marred by heaviness of style, is much superior to *Money-Changing* as a scientific and comprehensive treatment of the subject.

The book covers, in nine chapters, the factors involved in international payments, the rates of exchange, commercial and finance bills, and the discount and bullion markets. The author's treatment of commercial letters of credit and finance bills appears to the reviewer particularly good. He makes a point of important bearing on the theory of international trade in relation to changes of price levels when he shows that finance bills are the immediate means of balancing international payments. "It must be remembered that, since the price of